

Message Text

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60

ACTION EUR-12

INFO OCT-01 ISO-00 PA-01 PRS-01 USIA-06 FEA-01 AEC-05

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FM AMEMBASSY REYKJAVIK

TO SECSTATE WASHDC 4967

INFO CINCLANT

COMICEDEFOR

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY MOSCOW

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

USMISSION NATO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ENRG ETRD EEWT IC UR NO

SUBJECT: ICELAND MP CHARGES SOVIET PRESSURE IN OIL DEAL

1. BEGIN UNCLASIFIED. SVERRIR HERMANNSSON, INDEPENDENCE PARTY MP, IN PRESS REPORT IN MORGUNBLADID NOVEMBER 11, SAID THAT IT WAS IMPORTANT THAT ICELAND BE ABLE TO BUY OIL FROM NORWAY INSTEAD OF FROM RUSSIA, STATING IN THIS CONTEXT THAT THE RUSSIANS TRIED TO USE THEIR POSITION AS OIL SUPPLIERS POLITICALLY IN ORDER TO INFLUENCE ICELAND'S FOREIGN POLICY. HE INDICATED ICELANDERS WOULD BE FREE OF THIS PRESSURE IF THEY COULD GET THEIR OIL FROM THE
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NORWEGIANS.

2. HERMANSSON TOLD THE NEWSPAPER THAT THE ENERGY ISSUE WAS "THE" ISSUE WHICH NORDIC COOPERATION SHOULD FOCUS ON AND CALLED FOR A UNITED FRONT ON ENERGY MATTERS. HE POINTED OUT THAT NORWAY WOULD SHORTLY PRODUCE 50 MILLION TONS OF OIL ANNUALLY AND 40 MILLION TONS OF GAS. SINCE NORWAY USED ONLY 13 MILLION TONS OF OIL A YEAR, IT WOULD HAVE SOME TO SPARE FOR OTHER NORDIC COUNTRIES. NORWAY COULD PRODUCE 96 MILLION TONS OF OIL BY 1980 OR MORE THAN HALF OF THE OIL USED BY ALL THE NORDIC COUNTRIES TOGETHER (ESTIMATED TO BE 160 MILLION TONS). END UNCLASSIFIED.

3. BEGIN LIMITED OFFICIAL USE

EMBASSY COMMENT: THE CALL TO CHANGE OIL TRADING PARTNERS FROM RUSSIA TO NORWAY HAS BEEN CARRIED ALMOST EXCLUSIVELY BY MORGUNBLADID, IP NEWSPAPER. ALTHOUGH AN EARLIER INTERVIEW WITH A SHELL OFFICIAL WAS PUBLISHED IN THE MAGAZINE FREE TRADE, IT WAS LATER HEADLINED IN MORGUNBLADID. AN ESSO OFFICIAL IN DISCUSSIONS WITH EMBOFF ON THE RECENT OIL NEGOTIATIONS WITH RUSSIA TENDED TO THROW COLD WATER ON THE IDEA OF A CHANGE ANY TIME SOON. HE FELT THE MAIN PROBLEM WITH RUSSIAN OIL, WHICH HE CONSIDERED OF GOOD QUALITY, WAS THE INFLEXIBILITY OF THE PRICE WHICH WAS SET ON ONE OF THE STEADIEST OF MARKET QUOTATIONS (PLATTS CARIBBEAN), AND THUS UNLIKELY TO CHANGE WHEN THE EXPECTED DROP IN PRICES TOOK PLACE NEXT SPRING. HE FELT THE NORWEGIANS WERE SEVERAL YEARS AWAY FROM SUPPLYING OIL TO ICELAND, WHEREAS ICELAND HAD TO NEGOTIATE WITH THE RUSSIANS NEXT SUMMER AS THE PRESENT AGREEMENT EXPIRED THE END OF 1975.

4. HERMANSSON WAS ONE OF THE IP MEMBERS SUGGESTED BY PRIME MINISTER HALLGRIMSSON FOR A RECENT USIS SPONSORED NATO BRIEFING TRIP AND IS A RESPECTED MEMBER OF THE PARTY AND MP. (END LIMITED OFFICIAL USE).

IRVING

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